

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

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SUBJECT: Approval of Minutes of the October 11, 2000  
Investment Committee, Open Session

ITEM NUMBER: 3

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: November 8, 2000

INFORMATION: \_\_\_\_\_

PRESENTER(S): Chairperson

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Proposed minutes of the Investment Committee Meeting held in open session October 11, 2000 are submitted on the following pages.

**PROPOSED  
MINUTES OF THE  
INVESTMENT COMMITTEE MEETING  
OF THE  
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM  
OCTOBER 11, 2000  
OPEN SESSION  
BOARD ROOM  
7667 FOLSOM BOULEVARD  
SACRAMENTO, CALIFORNIA**

**COMMITTEE MEMBERS PRESENT**

Gary Lynes, Chairperson  
Yvonne Gallegos Bodle  
George Fenimore  
Marty Mathiesen  
Lillian Raffel  
Emma Zink  
Philip Angelides, State Treasurer  
Walter Barnes, representing State Controller  
Kathleen Connell  
Curt Robinson, representing State Superintendent of Public Instruction  
Delaine Eastin  
Annette Porini, representing State Director of Finance  
Tim Gage

**OTHER BOARD MEMBERS OR REPRESENTATIVES PRESENT**

Jennifer DuCray Morrill  
Chris Drevalas

**STAFF PRESENT**

James Mosman, Chief Executive Officer  
Christopher Ailman, Chief Investment Officer  
Chris Waddell, Chief Counsel  
Elleen Okada, Director of Investment Administration and External Relations  
Doug Wills, Staff Counsel  
Michelle Cunningham, Director of Fixed Income  
Steven Tong, Director of Internal Equities  
Real Desrocher, Director of Alternative Investments  
Mike DiRé, Director of Real Estate  
Richard Rose, Principal Investment Officer  
Mary Ann Avansino, Administrative Assistant

**OTHERS PRESENT**

Allan Emkin, Pension Consulting Alliance  
Nori Gerardo Lietz, Pension Consulting Alliance  
Terry Sander, Pension Consulting Alliance  
Al Clerc, Pathway Capital Management  
Doug Le Bon, Pathway Capital Management

A quorum being present, Chairperson Lynes called the open session meeting to order at 9:10 p.m.

I. **ANNOUNCEMENTS** (Item 2)

Chairperson Lynes introduced Christopher Ailman the new Chief Investment Officer.

II. **APPROVAL OF MINUTES OF THE SEPTEMBER 6, 2000 INVESTMENT COMMITTEE, OPEN SESSION** (Item 3)

MOTION duly made by Mr. Fenimore, seconded by Ms. Porini and carried to approve the minutes of the September 6, 2000, Investment Committee, Open Session as presented.

III. **GENERAL – SEMI-ANNUAL PERFORMANCE REPORT FOR PERIOD ENDING JUNE 30, 2000** (Item 4)

Mr. Emkin presented a written and oral performance report for the period ending June 30, 2000. Discussion ensued.

MOTION duly made by Ms. Zink, seconded by Mr. Fenimore and carried to adopt a resolution to accept the semi-annual performance report submitted by Pension Consulting Alliance as presented.

IV. **ALTERNATIVE INVESTMENTS - SEMI-ANNUAL PERFORMANCE REPORT FOR PERIOD ENDING JUNE 30, 2000** (Item 5)

Mr. Clerc presented a written and oral performance report for the period ending June 30, 2000. Discussion ensued.

Mr. Angelides arrived at the meeting at 9:20 a.m.

MOTION duly made by Mr. Fenimore, seconded by Ms. Zink and carried to adopt a resolution to accept the semi-annual report submitted by Pathway Capital Management as presented.

V. **REAL ESTATE – SEMI-ANNUAL PERFORMANCE REPORT FOR PERIOD ENDING JUNE 30, 2000** (Item 6)

Ms. Gerardo Lietz and Ms. Sander presented a written and oral performance report for the period ending June 30, 2000. Ms. Gerardo Lietz reviewed the methodology used by CalSTRS when stating adjustments to a prior quarter. The Committee directed staff to present an agenda item at a future meeting regarding the options in making these adjustments. Ms. Gerardo Lietz discussed the significant writedowns that Colony has taken over the past year. The Committee requested that a representative from Colony attend a future meeting to discuss performance of the fund.

MOTION duly made by Ms. Porini, seconded by Mr. Fenimore and carried to adopt a resolution to accept the semi-annual performance report submitted by Pension Consulting Alliance as presented.

VI. **FIXED INCOME – POLICIES** (Item 7)

Ms. Cunningham presented proposed revisions to the Currency Hedging Program Policy, the Home Loan Program Policy, and the Long-Term Fixed Income Portfolio Policy manuals. The updates reflect the new position of Principal Investment Officer as well as adjust the authorization limits. Discussion ensued.

MOTION duly made by Mr. Angelides, seconded by Ms. Porini to adopt the updated Currency Hedging Program Policy, the Home Loan Program Policy,

and the Long-Term Fixed Income Portfolio Policy Manuals as presented.

SUBSTITUTE MOTION duly made by Mr. Barnes to table the approval of policy updates until the November meetings. The motion died for lack of a second.

Discussion continued. Mr. Ailman stated that he concurred with the proposed policy changes.

VOTE on the original motion duly made by Mr. Angelides, seconded by Ms. Porini to adopt the updated Currency Hedging Program Policy, the Home Loan Program Policy, and the Long-Term Fixed Income Portfolio Policy Manuals as presented. The motion carried. Mr. Barnes abstained.

VII. **INTERNAL EQUITIES - POLICIES** (Item 8)

Mr. Tong presented revised policies for Internal Equities. The revisions reflect changes to trading authority limits. Discussion ensued. Mr. Ailman stated that he concurred with the proposed policy changes.

MOTION duly made by Mr. Angelides, seconded by Mr. Fenimore and carried to adopt the updated Internal Equities Policy Manual as presented. Mr. Barnes voted no.

Chairperson Lynes recessed the meeting at 10:10 a.m.

Chairperson Lynes reconvened the meeting at 10:30 p.m.

VIII. **ALTERNATIVE INVESTMENTS – SCOPE OF STUDY FOR PRIVATE EQUITY INVESTMENT IN UNDERSERVED URBAN AND RURAL COMMUNITIES** (Item 9)

Mr. Desrochers reviewed a proposed scope for a study to explore the feasibility and potential benefits of private equity investment in underserved urban and rural communities. Mr. Desrochers stated that initial inquiry showed that the study could be completed for under \$100,000. Discussion ensued. Mr. Angelides reported to the Committee that CalPERS has a program in development and would be willing to share some of the research obtained in their study. The Committee directed staff to meet with CalPERS staff to determine whether this research would fulfill CalSTRS needs and to report back at the December or January meeting.

X. **LEGISLATION** (Item 10)

Mr. Derman had nothing further to report.

XI. **GENERAL – BUDGET REPORT UPDATE** (Item 11)

Ms. Okada discussed the written report. The Committee requested that the next update include soft dollar projections.

XII. **CREDIT ENHANCEMENT PROGRAM – ACTIVITY STATUS REPORT** (Item 12)

Mr. Rose reviewed the written report.

XIII. **REAL ESTATE – ACTIVITY STATUS REPORT** (Item 13)

Mr. DiRé reviewed the written report

XIV. **ALTERNATIVE INVESTMENTS - ACTIVITY STATUS REPORT** (Item 14)

Mr. Desrocher reviewed the written report.

- XV. **QUARTERLY LITIGATION REPORT** (Item 15)  
Mr. Waddell reviewed the written report.
- XVI. **REPORT OF THE CHIEF INVESTMENT OFFICER** (Item 16)  
Mr. Mosman reported that the current portfolio valuation was \$109 billion. He further reported that the passive indexes are completely tobacco free.
- XVII. **DRAFT AGENDA FOR NOVEMBER INVESTMENT COMMITTEE MEETING**  
(Item 17)  
Mr. Mosman presented a draft agenda for the November Investment Committee meeting.
- XVIII. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC** (Item 18)  
There were no statements from the public.
- XIX. **MOVE TO CLOSED SESSION**  
Chairperson Lynes recessed the meeting at 11:25 a.m. and reconvened into closed session.
- XX. **ADJOURNMENT**  
Chairperson Lynes announced that while in closed session, the Committee discussed matters pertaining to personnel and investment decisions. There being no further business to conduct, Chairperson Lynes adjourned the meeting at 2:45 p.m.

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James D. Mosman, Chief Executive Officer and Secretary to the  
Teachers' Retirement Board

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Gary Lynes, Chairperson